

**REPORT OF THE AUDIT OF THE  
ROBERTSON COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**March 31, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
ROBERTSON COUNTY  
SHERIFF'S SETTLEMENT - 2004 TAXES**

**March 31, 2005**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2004 Taxes for Robertson County Sheriff as of March 31, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$551,970 for the districts for 2004 taxes, retaining commissions of \$23,644 to operate the Sheriff's office. The Sheriff distributed taxes of \$528,075 to the districts for 2004 Taxes. Taxes of \$293 are due to the districts from the Sheriff and refunds of \$42 are due to the Sheriff from the taxing districts.

**Report Comments:**

- The Depository Institution Should Have Provided Sufficient Collateral As Required By The Written Agreement
- The Sheriff's Office Lacks Adequate Segregation Of Duties



## CONTENTS

## PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
SHERIFF'S SETTLEMENT - 2004 TAXES .....	3
NOTES TO FINANCIAL STATEMENT .....	4
COMMENTS AND RECOMMENDATIONS .....	9
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	13





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Bradley Gifford, Robertson County Judge/Executive

Honorable Randy Insko, Robertson County Sheriff

Members of the Robertson County Fiscal Court

Independent Auditor's Report

We have audited the Robertson County Sheriff's Settlement - 2004 Taxes as of March 31, 2005. This tax settlement is the responsibility of the Robertson County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Robertson County Sheriff's taxes charged, credited, and paid as of March 31, 2005, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2005, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Bradley Gifford, Robertson County Judge/Executive  
Honorable Randy Insko, Robertson County Sheriff  
Members of the Robertson County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Depository Institution Should Have Provided Sufficient Collateral As Required By The Written Agreement
- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
December 6, 2005



ROBERTSON COUNTY  
RANDY INSKO, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2004 TAXES

March 31, 2005

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 57,544	\$ 91,748	\$ 188,745	\$ 60,306
Tangible Personal Property	815	1,674	2,859	1,541
Intangible Personal Property				752
Increases Through Exonerations	35	55	113	36
Franchise Corporation	25,263	47,882	87,397	
Bank Franchises	3,019			
Penalties	453	724	1,487	474
Adjusted to Sheriff's Receipt	(159)	(254)	(526)	(166)
Gross Chargeable to Sheriff	<u>\$ 86,970</u>	<u>\$ 141,829</u>	<u>\$ 280,075</u>	<u>\$ 62,943</u>
<u>Credits</u>				
Exonerations	\$ 322	\$ 514	\$ 1,056	\$ 343
Discounts	775	1,240	2,545	839
Delinquents:				
Real Estate	1,718	2,740	5,636	1,801
Tangible Personal Property	43	88	150	30
Uncollected Franchise	1	2	4	
Total Credits	<u>\$ 2,859</u>	<u>\$ 4,584</u>	<u>\$ 9,391</u>	<u>\$ 3,013</u>
Taxes Collected	\$ 84,111	\$ 137,245	\$ 270,684	\$ 59,930
Less: Commissions *	<u>3,862</u>	<u>5,833</u>	<u>10,827</u>	<u>3,122</u>
Taxes Due	\$ 80,249	\$ 131,412	\$ 259,857	\$ 56,808
Taxes Paid	<u>79,956</u>	<u>131,412</u>	<u>259,885</u>	<u>56,822</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ 293</u>	<u>\$ 0</u>	<u>\$ (28)</u>	<u>\$ (14)</u>

\* Commissions:

10% on	\$	15,000
4.25% on	\$	266,286
4% on	\$	270,684

The accompanying notes are an integral part of this financial statement.

ROBERTSON COUNTY  
NOTES TO FINANCIAL STATEMENT

March 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 15, 2004, the bank did not have any securities pledged as collateral to secure the Sheriff's deposits, and FDIC insurance did not equal or exceed the amount on deposit, leaving \$156,115 of public funds uninsured and unsecured.

ROBERTSON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 March 31, 2005  
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 15, 2004.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Uncollateralized and uninsured	<u>156,115</u>
Total	<u><u>\$ 256,115</u></u>

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 28, 2004 through March 31, 2005.

Note 4. Sheriff's 10% Add-On Fee

The Robertson County Sheriff collected \$2,206 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

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## COMMENTS AND RECOMMENDATIONS



ROBERTSON COUNTY  
RANDY INSKO, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

As of March 31, 2005

STATE LAWS AND REGULATIONS:

The Depository Institution Should Have Provided Sufficient Collateral As Required By The Written Agreement

As of November 15, 2004, \$156,115 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. Upon confirmation of pledge securities, the depository institution did not provide any pledges to the Sheriff's Office. The account was periodically monitored during each month, and at the end of each month by the depository institution. As of November 15, 2004, the balances did exceed the FDIC insurance amount. However, prior to Integra Bank being able to pledge collateral to their accounts the balances fell below the FDIC insurance amount on November 18, 2004. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the depository institution pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:*

*I followed the instructions of the bank but they failed on their obligation.*

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation of Duties

We conclude that the internal control structure lacks a proper segregation of duties. There is a limited staff size, which prevents adequate division of responsibilities. The County Sheriff has statutory authority to assume the role as custodian of monetary assets, as well as recorder of transactions and preparer of financial statements. The Sheriff is the only employee of the Sheriff's Office. Moreover, having one person solely responsible for these duties compromises the internal control structure of the Sheriff's Office. Also, by having only one individual who is responsible for all duties increases the risk that misstatements or errors may occur and not be detected in a timely manner. A periodic review should be coordinated by the Judge Executive and the County Finance Officer to reduce the degree of risk which results from inadequate segregation of duties. Once completed, an official independent of the Sheriff should review bank reconciliations.

*Sheriff's Response:*

*Only employee in office.*

PRIOR YEAR:

- The Sheriff's Office Lacks Adequate Segregation of Duties

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Bradley Gifford, Robertson County Judge/Executive  
Honorable Randy Insko, Robertson County Sheriff  
Members of the Robertson County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Robertson County Sheriff's Settlement - 2004 Taxes as of March 31, 2005, and have issued our report thereon dated December 6, 2005. The Sheriff prepares the financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Robertson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Robertson County Sheriff's Settlement - 2004 Taxes as of March 31, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Depository Institution Should Have Provided Sufficient Collateral As Required By The Written Agreement

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
December 6, 2005

